UKCTA

The Future of the UK's Voice Interconnect Regime and Call Termination

Incorporating views on the future of fixed number porting

UKCTA Response to Ofcom

Submitted to Ofcom: 6th June 2019

Introduction

1. UKCTA is a trade association promoting the interests of fixed-line telecommunications companies competing against BT, as well as each other, in the residential and business markets. We advocate regulatory outcomes designed to serve consumer interests, particularly through competition to Ofcom and the Government. Details of membership of UKCTA can be found at www.ukcta.org.uk. We welcome the opportunity to comment on Ofcom's proposals on the future of voice interconnection and call termination. We have also set out UKCTA's high-level views on Ofcom's proposals for fixed number portability. The views expressed by UKCTA in this response do not reflect the views of Gamma, who will be submitting their own response to the consultation.

2. UKCTA believes that a new regulatory approach is required if the industry is to complete the transition to IP. The current narrowband review handed too much control to BT. Although billed as technology neutral, BT's scale and involvement in so many calls (termination, origination and porting) has allowed them to dictate the industry technology standard, slowing the pace of IP adoption across the sector.

3. BT have too much influence on market outcomes that remains undetected in traditional SMP assessments. The onward porting nature of geo number porting contributes to this market influence (or system control). BT remains involved in far more call transaction than it needs to be.

Contractual Reform is essential – Ofcom need to aid this process

4. BT's Standard Interconnect Agreement (SIA) and its related documents (Element Based Charging (EBC) matrix and Carrier Price List (CPL)) afford BT too much control. These key contractual documents, which effectively shape the overall framework and the interconnect relationships between rival operators were drafted when BT was heavily regulated. Things have moved on; however, the contracts are largely unchanged.

5. Today only local exchange call termination at TDM remains a price regulated service (and future regulation in an all-IP environment is unlikely to be more substantial). Under contract, BT can also impose its own pricing, while simultaneously rejecting it from others. This asymmetry needs to end. A new industry contract template is urgently required. The industry, including UKCTA, is prepared to resource drafting an entirely new contract; however, OTA facilitation and Ofcom high-level oversight are also required.

6. A new IP interconnect agreement is the most important foundation to any new regime. Incremental changes to BT's Standard Interconnect Agreement or the use of BT's IPX agreement will not work. These contracts need to be retired post migration and the BT – CP relationship re-set on reciprocal, equitable terms, that avoid carrying over features of legacy dominance. UKCTA is keen to work with Ofcom to deliver a new UK IP interconnect framework that will stand the test of time and better reflect the diverse voice communications market of today.

Regulating IP interconnection during migration

7. It is clear that IP is now the standard for connectivity and time has now come to formalise this. BT has been free to game between IP and TDM traffic types using the IPX platform tactically, rather than as a transitionary network. It has been able to secure volume commitments from other carriers, as this remains the only route to securing lower pricing on both TDM and IPX.

8. Care must be taken over the transitional arrangements for BT's transition from TDM to IP. It is clear that BT should fund these conversion costs from April 2021 onwards (the end of the current narrowband regime). This should include the conversion, switching and conveyance costs of CPs with IP networks interconnecting with BT's TDM network.

9. Alternatively, BT's charges for media conversion, switching and conveyance should be regulated on a LRIC basis to remove the need for migrating CPs to maintain/invest in conversion and switching assets during migration.

10. CPs need an indication from BTW over the closure of C7 interconnect (is this linked to DLE closure). CPs may not want to move to IPX (which is a commercial proposition), but instead move to a new IP contract. CPs need more information from BT to help this process e.g. when will DLEs be all-IP (Ofcom should require this information to be available in advance).

Setting IP standards & Regulation

11. UKCTA members would prefer Ofcom to leave this to industry to manage, with the NICC a key reference body should any disputes arise.

12. IP circuits should be regulated during the transition. UKCTA believes that TDM circuits should continue to be regulated until IP routes to FTR are made available. IP circuits should also be regulated for the duration of the forthcoming narrowband market review period. While it is hoped BT's market influence will decline in the medium term, until this occurs, BT will have sufficient market power to set IP interconnect circuit pricing. We should be cautious of doing away with regulatory protections until there is more clarity around market behaviours and influence.

Transition to IP

13. Number block IP migrations should be done in large blocks (10k +) not CLI by CLI as this will be difficult to manage and it will be unclear how a CP would

secure FTR. BT should be required to publish more information in advance (e.g. which DLE/ blocks moving and when).

End-to-End connectivity Obligation

14. If Ofcom removes the end to end connectivity obligation (which we believe BT has abused to avoiding paying for transit services offered by other CPs) then the guidance around General Condition A1 needs to be updated to ensure that smaller CPs can use the dispute route if BT declines interconnection / connectivity. In such circumstances, it may be prudent to consider retaining the end-to-end connectivity obligation for the duration of the forthcoming narrowband market review period.

The Future of Fixed Number Portability

15. Before any changes are undertaken, we are keen to ensure that Ofcom make the economic and consumer welfare case for reform. We would expect Ofcom, as a matter of sound, evidence based regulatory good practice to produce a robust cost-benefit analysis showing a positive NPV for a common numbering database prior to further work being done by industry.

16. We would advise Ofcom to look at other countries who have recently moved to such solutions (e.g. Ireland) to learn lessons and obtain best practice knowledge. While such an arrangement has many advantages, it is essential that the burden of developing a database be shared across industry on a fair and proportionate basis. There have been previous attempts to reform UK porting (eg. create central database) to avoid the need for onward routing. These were all unsuccessful. Ofcom need to set a realistic timescale if any future project is to be a success. In the meantime, BT will continue to have considerable influence on the market (involved in large proportion of calls where it is neither the originating provider, nor the terminator).

17. Similarly, when moving from manual to automatic processing, there needs to be sufficient guidance or process documents to support this. One area of concern for example is large bulk ports for business customers - these are typically more complex and happen at scheduled times to avoid disruption to the customer. Automation can be effective, but best practice process around communication between CPs to schedule and prepare in advance should be documented.

18. Should a cost benefit study indicate a move to a revised form of porting being a positive outcome, we would urge Ofcom to allow sufficient time to develop the solution and work out a strategy to ensure all industry players are able to be involved, or at least, can follow the developments. Lessons from the implementation in Ireland highlighted the need to ensure all CPs were involved or aware of developments. Likewise, considerable time is needed at the end of the process to undertake a large amount of data validation and "clean-up".

Future of the UK Numbering Scheme

19. UKCTA members would like to see more detailed information published by Ofcom around it forecasts for future geographic number shortages. This would enable stakeholders to make a more informed decision over number usage and help engagement in the debate over the future of the UK numbering scheme. Any decisions about the relaxation of local dialling should be left to individual Communication Providers. There remain areas of the country and particularly groups of customers who continue to value local dialling.

- END -